

Puerto Cortés Basks in the Sun Surrounded by Troubled Waters

A December 2007 report from the U.S. Embassy in Tegucigalpa

Summary: Puerto Cortés has taken advantage of CAFTA-DR and participation in the Secure Freight Initiative to claim a preeminent place in the country's commercial activity. However, a number of challenges, such as capacity, loom on the horizon, which if left unaddressed may cause Puerto Cortés to lose its privileged position. In addition, the surrounding community says that it lacks basic information about the potential benefits of CAFTA-DR.

Overview of the Port

Officials at the National Port Company (ENP) say they are “100 percent satisfied” with CAFTA-DR, noting that imports through Puerto Cortés are up by 20 percent. ENP is also pinning hopes on completion of the so-called “Canal Seco” (dry canal), which would connect Puerto Cortés via modern highways to the Pacific port of Cutuco in El Salvador, providing an alternative to the Panama Canal. U.S. Millennium Challenge funds are being used for part of that project – improvement and widening of Highway CA-5 through Honduras. ENP officials hope the dry canal will attract more substantial cargo traffic from Asia. Despite the troubles at the state-owned energy company, ENEE, ENP officials believe that oil companies that have their main importing facilities at the port will not abandon their considerable investments there.

Capacity Constraints

With the help of a loan from the Central American Bank for Economic Integration (CABEI), construction will start in February on a two-year U.S. Trade and Development Agency (USTDA) project to expand capacity on Piers 6 and 7, which ENP hopes will help head off capacity shortages that are otherwise projected to begin within four years. However, some companies worry about future capacity, saying that physical space in the port is limited, cranes need to be replaced, and there is a shortage of trucks and people with necessary skills. Although plans exist to attend to these problems, some say there has been a failure to execute them.

Benefiting from CAFTA-DR

Contacts at the port and in the surrounding community say that Honduras needs to innovate more to take advantage of CAFTA-DR, many of whose obvious opportunities have existed since 1983 under the Caribbean Basin Initiative. Reform of telecoms and investment laws and of ENEE were also cited as necessary. Contacts argue that the US Government and the Honduran Private Enterprise Council (COHEP) should do more to promote democracy, transparency, the free market, and individual rights; and to reduce bureaucracy and corruption. They claim that many people still do not understand CAFTA-DR and would benefit from a more concentrated campaign led by the US Government, the Honduran Government, COHEP, and the various Chambers of

Commerce. In particular, they request more foreign direct investment to help small and medium enterprises and boost the creation of jobs. Some argue that money should be given directly to chambers or other organizations and that if governments or other organizations do not spend money appropriately the money should be taken away from them.

Dealing with the effects of the port's success on the broader community remains an especially difficult problem. Some feel that only the port itself is seeing the benefits of Puerto Cortés's status as a free zone, despite the fact that it was established as the first free zone back in 1978. Everyone contributes to municipal funds, but some argue that the resulting benefits go mainly toward the port. Meanwhile, people come to the coast from inland looking for jobs, and it is difficult for the city to provide these and other services to so many of them: 60,000 of the 120,000 residents of Puerto Cortés are unemployed and crime levels are high. Some encourage the return of aid programs that have been removed under the erroneous assumption that Puerto Cortés is now comparatively "rich."